

# **THE OBBB GAMBLING TAX PROVISION: AN EXISTENTIAL THREAT TO REGULATED SPORTS BETTING**

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**How the One Big Beautiful Bill Act's 90% Gambling**

**Loss Limitation Could Devastate the Regulated**

**Model...and State Budgets**

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# The OBBB Gambling Tax Provision: An Existential Threat to Regulated Sports Betting

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## Executive Summary

The One Big Beautiful Bill Act (OBBB), signed into law on July 4, 2025, contains a provision that poses an existential threat to the regulated sports betting industry in the United States. Section 70114 of the Act limits gambling loss deductions to 90% of actual losses starting January 1, 2026, creating "phantom income" scenarios where bettors owe substantial taxes on money they never actually won.

This seemingly minor tax adjustment strikes at the heart of an industry built on extreme customer concentration. Academic research demonstrates that just 10% of bettors generate 80% of total handle in regulated sports betting markets<sup>[1]</sup>. The OBBB's phantom income provision directly targets this critical customer segment---professional and high-volume recreational bettors who drive the industry's economics.

The financial implications are staggering. Under conservative migration scenarios, where just 15% of high-value customers seek alternatives to avoid phantom income taxation, the industry faces \$18 billion in annual handle loss, \$1.5 billion in gross gaming revenue decline, and \$420 million in state tax revenue reduction<sup>[2]</sup>. More severe scenarios project handle losses exceeding \$48 billion annually.

**These customers have immediate escape routes:** prediction markets regulated by the Commodity Futures Trading Commission (CFTC), which maintain 100% loss deductibility and operate under more favorable tax frameworks, and offshore sportsbooks that have overtaken the regulated market with \$163 billion in handle versus \$150 billion for legal operators in 2024<sup>[3]</sup>. Kalshi, the leading U.S. prediction market, recently processed \$303 million in sports-focused volume during a single weekend in September of 2025, demonstrating the viability of these alternatives<sup>[4]</sup>.

The convergence of phantom income taxation, regulatory arbitrage opportunities, and the industry's dependence on a small customer base creates a perfect storm that could fundamentally reshape American sports betting. Without legislative intervention through

the FAIR Bet Act or similar remedy, the regulated industry faces an unprecedented migration of its most valuable customers to platforms operating under different regulatory frameworks.

## Key Findings

- **Market Concentration:** 10% of bettors generate 80% of handle, creating extreme vulnerability to customer loss
- **Phantom Income Impact:** OBBB can create effective tax rates exceeding 264% on actual winnings
- **Migration Risk:** \$18-48 billion in annual handle vulnerable to alternative platform migration
- **State Revenue Loss:** Top 10 states face \$267-716 million in annual tax revenue decline
- **Implementation Timeline:** January 1, 2026 effective date
- **Legislative Remedy:** FAIR Bet Act (and similar legislative alternatives) provide clear path to restore 100% loss deductibility

The regulated sports betting industry has mere days to secure legislative relief or face an unprecedented exodus of the customers who make the entire ecosystem financially viable. In fact, that exodus has already begun.

## Introduction

The American sports betting landscape stands at an inflection point. What began as a state-by-state expansion following the 2018 Supreme Court decision in *Murphy v. NCAA* has evolved into a \$150 billion annual handle industry supporting thousands of jobs and generating billions in state tax revenue<sup>[5]</sup>. Yet this entire ecosystem rests on a foundation that few policymakers fully understand: the extreme concentration of betting volume among a tiny fraction of customers.

On July 4, 2025, President Trump signed the One Big Beautiful Bill Act into law, including Section 70114, which limits gambling loss deductions to 90% of actual losses starting January 1, 2026<sup>[6]</sup>. This provision, designed to raise \$1.1 billion in federal revenue over eight years, fundamentally misunderstands the sports betting market structure and threatens to trigger an industry-wide crisis.

The threat emerges from the intersection of three critical factors: the industry's dependence on high-value customers, the emergence of alternative platforms as viable alternatives, and the OBBA's creation of phantom income taxation that makes regulated betting economically irrational for professional and sophisticated recreational players.

This analysis examines how a seemingly technical tax adjustment could precipitate the largest disruption in American gambling since the federal ban on sports betting itself, quantifying the financial impact across multiple scenarios and identifying the narrow legislative window remaining to prevent industry upheaval.

## **Market Concentration: The Foundation of Industry Vulnerability**

### **The 10/80 Rule: Academic Evidence of Extreme Concentration**

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The regulated sports betting industry operates on a customer concentration pattern that far exceeds traditional business models. Comprehensive academic research reveals that 10% of bettors generate 80% of total handle, creating an ecosystem of extreme dependence on a small cohort of high-volume players<sup>[7]</sup>.

The most compelling evidence comes from Tom, LaPlante, and Shaffer's landmark 2014 study analyzing actual betting data from internet gambling platforms. Their research found that just 5.7% of sports bettors generated 80% of fixed-odds betting revenue, significantly exceeding the traditional Pareto principle<sup>[8]</sup>. This concentration intensifies over longer timeframes---Deng et al.'s analysis of 30,920 British Columbia accounts revealed that the top 20% of gamblers accounted for 92% of total bets and 90% of net losses over a full year<sup>[9]</sup>.

Forrest and McHale's 2022 analysis provides the most comprehensive multi-operator perspective, calculating Gini coefficients of 0.873 for sports betting, indicating extreme inequality where values above 0.8 signal severe concentration<sup>[10]</sup>. These academic findings align with Fiedler et al.'s cross-jurisdictional research showing Gini coefficients ranging from 80.2% to 87.9% across France, Québec, and Germany<sup>[11]</sup>.

## Industry Data Corroborates Academic Findings

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Public companies and industry data confirm this concentration pattern. Circa Sports, which welcomes professional action, reports that 95% of their total handle comes from bets exceeding \$50<sup>[12]</sup>. State Gaming Commission data further reinforces the fact that sportsbook's stake factoring policies apply to only 1-2% of accounts, but these limited accounts generate a large percentage of handle<sup>[13]</sup>. Industry executives confirm that VIP customers represent 65-80% of total betting volume and gross gaming revenue at major operators<sup>[14]</sup>.

Flutter Entertainment's FanDuel, the market leader, explicitly targets customers wagering "six to seven figures annually" through its VIP program, providing personal account managers, exclusive bonuses, and higher betting limits<sup>[15]</sup>. The company reports that its top quintile customers maintain 91% retention rates while increasing betting frequency by 11% year-over-year<sup>[16]</sup>.

## Professional Syndicates Drive Industrial-Scale Volume

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Beyond individual high-rollers, professional betting syndicates operate at institutional scales that dwarf recreational activity. Billy Walters' legendary operation achieved approximately 57% win rates over four decades, betting \$20 million across college and professional sports on typical weekend gamedays<sup>[17]</sup>. International syndicates operate at even larger scales---the Walsh-Ranogajec syndicate wagers \$2-7 billion annually across racing and sports<sup>[18]</sup>.

Susquehanna International Group represents the apex of institutional-scale betting, maintaining 30+ person sports divisions including quantitative analysts and traders focused on in-game wagering. Operating as market makers with positions on both sides, they exemplify the professionalization and financialization of sports betting at massive scales<sup>[19]</sup>.

# The OBBB Tax Provision: Manufacturing Phantom Income

## The Mechanics of the 90% Limitation

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Starting January 1, 2026, Section 70114 of the One Big Beautiful Bill Act fundamentally alters the taxation of gambling activities by limiting loss deductions to 90% of actual losses<sup>[20]</sup>. This seemingly modest adjustment creates "phantom income" scenarios where bettors owe substantial taxes on money they never actually won.

KPMG's professional analysis demonstrates the devastating impact through specific examples<sup>[21]</sup>. Under current law, a bettor with \$101,000 in winnings and \$100,000 in losses pays taxes on their \$1,000 net profit. Under the OBBB, they can only deduct \$90,000 of losses, creating \$11,000 in taxable income despite only \$1,000 in actual winnings. At a 25% tax rate, this generates a \$2,640 tax liability on \$1,000 of actual profit---an effective tax rate of 264%.

The provision becomes even more punitive in break-even scenarios. A bettor with \$100,000 in winnings and \$110,000 in losses---a \$10,000 net loss---would still owe taxes on \$1,000 of phantom income under the new rules. They pay taxes while actually losing money<sup>[22]</sup>.

## Impact on Professional Betting Operations

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Professional bettors, who typically operate on thin margins with high volume, face economic devastation under these rules. For example, a professional achieving 57% win rates---considered excellent in sports betting---might generate \$3 million in winnings and \$2.8 million in losses for a \$200,000 annual profit. Under current rules, they pay taxes on \$200,000. Under the OBBB, they face taxes on \$480,000, doubling the tax liability and possibly turning an otherwise profitable operation into a losing one<sup>[23]</sup>.

Las Vegas CPA Gary Kondler describes "absolute chaos" among his professional gambling clients, while Nevada tax specialist Russell Fox calls the provision "bad for just about everybody in the industry"<sup>[24]</sup>. The math makes professional sports betting economically unviable for many operators who depend on small edges amplified through large volumes.



These tax changes create strong incentives for professional bettors and betting organizations to move their gaming activity through other channels, prediction markets and offshore sportsbooks in particular.

## **Impact on Large-Volume Recreational Bettors**

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Perhaps most concerning is the OBBB's impact on the substantial population of successful, higher-income individuals who engage in high-volume recreational betting. These customers---often earning six-figure salaries with significant disposable income---represent the backbone of the regulated gambling industry. Unlike professional gamblers who bet for profit, these individuals wager for entertainment, using their discretionary spending on sports betting, casino games, and poker tournaments much like others might spend on luxury travel or expensive hobbies.

This demographic drives the industry's economics. They are the VIP customers who receive dedicated account managers, exclusive event invitations, and premium services because their annual wagering often reaches hundreds of thousands of dollars. A successful individual might comfortably budget \$200,000 annually for gambling entertainment, cycling through wins and losses throughout the year while treating the net cost as an entertainment expense.

The OBBB transforms this straightforward entertainment spending into a tax planning nightmare. Consider someone who enjoys betting on sports throughout a season, accumulating \$500,000 in winnings and \$520,000 in losses---a net entertainment cost of \$20,000, well within their discretionary budget. Under current rules, they owe no taxes since they experienced a net loss. Under the OBBB, they can only deduct \$468,000 of their losses, creating \$32,000 in phantom taxable income. At the highest tax brackets these individuals often face, this generates substantial tax liability on money they never actually won.

The psychological impact proves equally damaging. These customers understand they're paying for entertainment, but the concept of owing taxes on fictional income fundamentally alters the value proposition. When entertainment betting becomes a tax compliance burden requiring detailed recordkeeping and generating unexpected liabilities, the activity loses its recreational appeal.

Industry operators recognize this threat to their core customer base. These high-volume recreational bettors provide the stable, predictable revenue that allows operators to offer competitive odds and absorb the occasional large wins from skilled players. Their departure

would force fundamental changes to business models built around serving this affluent, entertainment-focused demographic. Unlike professional bettors who might adapt their strategies or migrate to alternative platforms, recreational players are more likely to simply stop betting entirely when the experience becomes burdensome or financially punitive beyond their intended entertainment budget.

This tax disadvantage creates powerful incentives for these valuable customers to explore alternatives like prediction markets and offshore sportsbooks, which offer the same entertainment value with potentially superior tax treatment. For sophisticated, high-income individuals already comfortable with investment platforms and tax optimization strategies, the regulatory arbitrage opportunity becomes compelling. The migration of even a fraction of this customer segment to alternative platforms would devastate traditional sportsbook operators who have built their entire business model around serving these high-value recreational players.

## **Extension of Business Expense Limitations**

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The OBBB extends the 90% limitation to "any deduction otherwise allowable under this chapter incurred in carrying on any wagering transaction," effectively capturing business expenses that professional gamblers previously could deduct separately<sup>[25]</sup>. This includes travel expenses, data subscriptions, entry fees, and other costs of professional operations.

This expansion prevents the strategy some professionals used under the Tax Cuts and Jobs Act, where business expenses could sometimes be deducted beyond the gambling loss limitation. Under the OBBB, all gambling-related expenses face the 90% cap, eliminating any remaining tax efficiency for professional operations<sup>[26]</sup>.

## **Historical Context and Revenue Projections**

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The provision represents a dramatic departure from historical treatment. Since the Revenue Act of 1954, gambling losses were fully deductible against winnings, establishing the principle that taxpayers should only be taxed on net gambling income<sup>[27]</sup>. The OBBB breaks this 70-year precedent to generate federal revenue.

The Joint Committee on Taxation projects the provision will raise \$1.1 billion over eight years<sup>[28]</sup>. This revenue target creates a substantial political obstacle to repeal, as any reversal requires offsetting cuts or tax increases elsewhere in the federal budget.

# Prediction Markets: Regulatory Arbitrage Escape Route #1

## CFTC Regulation Creates Tax Advantages

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Prediction markets operate under fundamentally different regulatory and tax frameworks that provide significant advantages over traditional sportsbooks. Platforms like Kalshi operate as Commodity Futures Trading Commission (CFTC) Designated Contract Markets, treating event contracts as financial derivatives rather than gambling products<sup>[29]</sup>.

This regulatory classification creates critical tax benefits. Kalshi issues Form 1099-B---the same form used by stock brokerages---treating contract settlements as trading income rather than gambling winnings<sup>[30]</sup>. This classification allows full deductibility of losses against gains, unlimited loss carry-forwards to future years, and potential offset against other investment income.

The most optimistic scenario involves Section 1256 treatment, which would provide 60/40 capital gains taxation (60% taxed at long-term rates, 40% at short-term) regardless of holding period<sup>[31]</sup>. At the highest tax bracket, this creates an effective federal rate of 26.8% versus 37% for ordinary gambling income.

## Quantified Tax Arbitrage Opportunities

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The numbers demonstrate a clear and substantial advantage for prediction markets across multiple scenarios. A professional bettor with perfect 50/50 results---\$1 million in wins, \$1 million in losses---faces \$100,000 in taxable phantom income under OBBB sportsbook rules, generating \$32,766 in federal taxes despite breaking even. Through prediction markets, their tax liability drops to zero---a complete elimination of phantom income taxation<sup>[32]</sup>.

For high-volume recreational players, the savings remain substantial. A player with \$100,000 in wins and \$90,000 in losses would owe \$2,280 in federal taxes at sportsbooks under OBBB (taxed on \$19,000 instead of their actual \$10,000 profit). Through prediction markets with Section 1256 treatment, they would pay just \$480---a \$1,800 annual savings on relatively modest volume<sup>[33]</sup>.

## Professional Migration Already Occurring

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Evidence confirms this isn't theoretical---sharp money is actively moving to prediction markets. One such professional bettor reported having "more than \$1 million riding on the first big Saturday of college football" through prediction markets<sup>[34]</sup>. He operates as "90% maker, 10% taker" on Kalshi, exploiting retail flow from Kalshi's new Robinhood integration.

Kalshi's growth trajectory validates the trend. The platform processed \$2 billion in sports trading volume in the first half of 2025, with 75% of all activity now sports-related<sup>[35]</sup>. Weekend volume reached \$303 million in one weekend in September, 2025 (\$196 million Sunday alone), with 96% focused on sports events and 84% specifically on football<sup>[36]</sup>.

## Competitive Advantages Beyond Taxation

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Prediction markets offer operational advantages that extend beyond favorable tax treatment. CFTC regulation enables 50-state operation versus state-by-state licensing for sportsbooks. Age requirements drop to 18+ versus 21+ in most gambling jurisdictions. Federal preemption eliminates state gaming taxes and regulatory compliance costs<sup>[37]</sup>.

Most importantly for professional bettors, prediction markets don't limit winning players. Traditional sportsbooks employ aggressive "sharp bettor" limitations, reducing successful players to minimal stakes. DraftKings CEO Jason Robins explicitly stated "people who are doing this for profit are not the players we want"<sup>[38]</sup>. Prediction markets welcome this exact customer segment that sportsbooks actively repel through aggressive stake factoring of perceived sharp players.

## Platform Scaling and Mainstream Adoption

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The Robinhood integration brought prediction markets to 70+ million users who "don't check oddsboards, don't know what other books are offering, and might not even consider it gambling," according to professional bettor Chris Dierkes<sup>[39]</sup>. This mainstream distribution solves the liquidity challenges that previously limited prediction market growth.

Polymarket, despite U.S. restrictions, handled \$9 billion in 2024 volume and recently acquired derivatives exchange QCEX to re-enter the American market<sup>[40]</sup>. Multiple platforms are preparing sports-focused offerings that could absorb significant volume from traditional sportsbooks facing the OBBB tax disadvantage.

## Offshore Sportsbooks: Regulatory Arbitrage Escape Route #2

### Market Scale Demonstrates Viability of Alternative

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The offshore sports betting market has achieved a scale that rivals and, by some measures, exceeds the regulated U.S. market. Citizens JMP Securities data reveals that offshore sportsbooks handled \$163 billion in 2024, surpassing the regulated market's \$150 billion<sup>[41]</sup>. This stunning reversal demonstrates that despite billions invested in legalization and regulation, unregulated operators have not retreated but rather professionalized and thrived.

More conservative estimates place the offshore market at \$84 billion annually, still representing a massive alternative ecosystem that operates beyond U.S. regulatory oversight<sup>[42]</sup>. Even at these lower figures, offshore books command sufficient volume to absorb significant migration from regulated operators while offering superior operational flexibility and tax advantages.

### Regulatory Advantages Create Compelling Value Proposition

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Offshore sportsbooks maintain decisive operational advantages that regulated competitors cannot legally match. Most critically for OBBB-affected bettors, offshore books create no IRS reporting requirements, allowing customers to potentially avoid the phantom income trap entirely<sup>[43]</sup>. While U.S. law technically requires reporting all gambling income regardless of source, the absence of W-2G forms and automatic withholding makes enforcement challenging and provides practical tax advantages.

Beyond taxation, offshore operations offer critical advantages for professional and high-volume bettors. Many offshore sports books offer -108 lines (or better) compared to standard -110, saving high-volume bettors over \$1,100 annually in vigorish per \$1,000 wagered weekly<sup>[44]</sup>. Betting limits reach levels that accommodate high-volume consumer and professional bankrolls, with major offshore books accepting six-figure wagers that regulated books would rarely permit.

Product offerings unavailable at regulated books provide crucial differentiation. Political betting exploded in 2024, with \$3.3 billion wagered on the presidential election through offshore platforms while only Kalshi could legally offer such markets domestically<sup>[45]</sup>. College player props, widely restricted in regulated markets, remain freely available

offshore, along with international sports coverage and entertainment betting options impossible under U.S. gaming regulations. These customer-friendly features create a natural draw for high-volume customers.

## **Cryptocurrency Integration Enables Operational Superiority**

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Payment processing through cryptocurrency has become the defining feature of modern offshore operations. The market generated \$81.4 billion in gross gaming revenue through crypto gambling in 2024, a five-fold increase since 2022<sup>[46]</sup>. Bitcoin withdrawals typically complete in 5-15 minutes compared to 5-7 business days for traditional methods at regulated books<sup>[47]</sup>.

Beyond speed, cryptocurrency provides enhanced privacy through blockchain transactions, appeals to both professional bettors managing large bankrolls and recreational players preferring anonymity. Most operators offer fee-free crypto transactions and substantial bonuses for crypto deposits, with some offering welcome bonuses up to \$6,000---significantly larger than regulated market offerings<sup>[48]</sup>.

## **Evidence of Current Migration Acceleration**

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Customer migration from regulated to offshore sportsbooks has shifted from anecdotal to quantifiable. A study from Illinois' own state gaming commission provides the clearest case study, experiencing a 5 percentage point decline in regulated market share following tax increases in July 2024, dropping from 94% to 89% of total wagers<sup>[49]</sup>. This migration accelerated when operators implemented per-bet taxes of \$0.25-\$0.50 per wager in 2025, specifically impacting small-dollar recreational bettors.

High-volume bettor communities demonstrate widespread adaptation to offshore alternatives. Social media analysis reveals increasing discussions about offshore alternatives in communities like Reddit's r/sportsbook, with detailed tax avoidance strategies shared openly<sup>[50]</sup>. Over 75,000 messages flooded Illinois lawmakers' inboxes protesting tax increases, demonstrating unprecedented grassroots opposition that correlates with observable market share declines<sup>[51]</sup>.

Professional migration strategies reveal sophisticated adaptation. Sharp bettors report splitting action approximately "60% offshore, 10% on prediction markets, and 30% on legal books" to optimize tax treatment while maintaining access to different markets<sup>[52]</sup>. This diversification strategy demonstrates how sophisticated bettors are already implementing multi-platform approaches that reduce dependence on regulated operators.

## **Financial Impact on Regulated Market Economics**

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The scale of offshore betting fundamentally challenges assumptions about the regulated market's trajectory. With offshore handle potentially exceeding regulated volume, the illegal market hasn't shrunk but grown alongside legal options. Even conservative estimates suggest offshore migration could cost states \$50-100 million annually in tax revenue if Illinois-style patterns spread to major markets like New York<sup>[53]</sup>.

The feedback loop creates particular concern for regulated operators: higher taxes drive customers offshore, reducing the tax base and potentially forcing further rate increases on remaining customers. Illinois could lose \$12-24 million annually based on current migration rates, while Pennsylvania and New Jersey each risk similar amounts as offshore alternatives become more accessible and professionally marketed<sup>[54]</sup>.

## **High-Volume and Professional Bettor Economics Drive Adoption**

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For professional bettors facing OBBB phantom income taxation, offshore books offer immediate economic relief. A professional with \$950,000 in wins and \$1 million in losses--- a \$50,000 net loss---faces \$50,000 in taxable phantom income and approximately \$12,000-\$18,000 in taxes under OBBB despite losing money<sup>[55]</sup>. Offshore platforms potentially eliminate this phantom income problem entirely (although not legally) while offering operational advantages like higher limits and less-restricted betting patterns.

High-volume recreational players face similar economic pressures. The combination of phantom income taxation, state-level per-bet fees, and increasing restrictions on promotional offers makes offshore alternatives increasingly attractive to customers who previously chose regulated books for convenience and security. For sophisticated, high-income individuals comfortable with cryptocurrency and international financial transactions, the tax arbitrage opportunity becomes compelling regardless of regulatory preferences.

## Technology and Product Advantages

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Modern offshore operators leverage cutting-edge technology to compete effectively against well-funded regulated competitors. Progressive Web Apps (PWAs) deliver native app-like experiences without app store restrictions, circumventing Apple and Google policies against real-money gambling apps<sup>[56]</sup>. Enhanced in-play analytics and AI-powered odds generation often exceed regulated competitor offerings, while faster odds refresh rates and more stable performance during major events prevent the delays that plague some regulated platforms.

The 2024 presidential election became a watershed moment as political betting volume reached \$3.3 billion across offshore platforms, generating massive organic publicity through news coverage and social media discussion<sup>[57]</sup>. This mainstream attention, combined with reduced juice marketing and early line releases, attracts both recreational and professional bettors seeking superior value propositions unavailable through regulated channels.

## But I Thought Sports Books Hate Sharp Action?

### Sharp bettors power the entire ecosystem

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Professional and sharp recreational bettors, despite being unprofitable direct customers for sportsbooks, are essential infrastructure providers whose market-making activities create the efficient, liquid, and trustworthy betting markets that enable the entire \$22.4 billion regulated sports betting ecosystem to function. Research demonstrates that sharp action drives 75-85% of line movements, provides 60-80% of early market volume, and achieves consistent positive closing line value of 3.11%—proving these sophisticated participants serve as the price discovery mechanism that establishes accurate odds for millions of recreational bettors while simultaneously protecting market integrity from manipulation and regulatory violations<sup>[58]</sup>.

This paradox—that sportsbooks' least profitable customers are their most valuable market participants—mirrors dynamics across gambling and financial markets where sophisticated players extract profits while providing essential liquidity, price discovery, and ecosystem credibility that attracts the recreational majority who generate actual revenue<sup>[59]</sup>.



Understanding this symbiotic relationship is crucial as the regulated sports betting industry matures and faces increasing scrutiny over limiting practices that may ultimately undermine market efficiency, regulatory compliance, and long-term sustainability.

## Market efficiency depends on informed participation

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Sharp bettors function as the invisible engine of price discovery in sports betting markets, consistently achieving 55-57% winning percentages<sup>[60]</sup> while moving 75-85% of betting lines toward true probabilities<sup>[61]</sup>. According to comprehensive market analysis, 86.3% of sharp bets generate positive Closing Line Value (CLV) with an average CLV of 3.11%, demonstrating that professional action systematically corrects pricing inefficiencies<sup>[62]</sup>. This price discovery mechanism parallels high-frequency traders in equity markets who provide 40-50% of market liquidity while earning profits through superior information processing and speed advantages<sup>[63]</sup>.

The quantitative impact on market accuracy is striking. Markets with significant sharp participation show 15-25% tighter closing line accuracy, reduced standard deviation in price movements, and more consistent hold percentages across different events<sup>[64]</sup>. When sharp money enters a market, average bookmaker holds decrease from 4-6% to 2-3%, directly benefiting all participants through better value<sup>[65]</sup>. Sharp bettors provide 60-80% of early market volume, enabling sportsbooks to offer higher limits—Circa accepts \$100,000 NFL bets while Pinnacle handles €50,000+ on major markets<sup>[66]</sup>—creating the deep liquidity that makes efficient markets possible<sup>[67]</sup>.

The "steam move" phenomenon illustrates this price discovery in action. When betting syndicates place coordinated bets across multiple sportsbooks within 45-60 seconds, the resulting uniform line movement signals true probability shifts that benefit the entire market<sup>[68]</sup>. As legendary bettor Billy Walters explains, "The smartest bookmakers know they can use smart money for their own benefit. If they were smart, they took my information and profited by shading their line and forcing customers to the other side, extending limits"<sup>[69]</sup>. This symbiotic relationship transforms potentially adversarial interactions into collaborative price discovery that enhances market efficiency for all participants.

## Innovation emerges from sophisticated demand

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Professional bettors have driven virtually every major sportsbook innovation of the past decade, forcing operators to develop increasingly sophisticated products and systems to serve demanding customers. The expansion of same-game parlays, which now offer parlay odds boosts up to 40% on select combinations, emerged directly from sharp bettor demand for more complex wagering opportunities<sup>[70]</sup>. BetMGM now offers 100+ betting options per NFL game, including detailed player props<sup>[71]</sup> that were virtually nonexistent before professional bettors demonstrated their profitability potential. Live betting technology has advanced to update odds every 15 seconds during NBA games<sup>[72]</sup>, with some platforms achieving sub-second latency<sup>[73]</sup> specifically to serve arbitrage traders who demand real-time pricing accuracy.

The technological infrastructure improvements driven by sharp demand are remarkable. Sharp App's case study reveals how serving sophisticated bettors led to 85% latency reduction, cutting response times from 200ms to 30ms while handling 800,000+ operations per second during peak betting windows<sup>[74]</sup>. These infrastructure investments benefit all users through faster, more reliable platforms that can handle massive recreational volume during major events. Professional demand has also pushed sportsbooks to develop sophisticated risk management systems, advanced analytics platforms, and automated trading tools that improve overall operational efficiency.

Beyond product innovation, sharp bettors serve as an invaluable "quality control" function for sportsbooks. When professionals immediately attack mispriced lines, they alert traders to errors before they become costly. Matt Metcalf from Circa Sports acknowledges that sharp bettors "help us set the lines" by identifying incorrect odds<sup>[75]</sup>, with the cessation of sharp action signaling when prices have reached equilibrium<sup>[76]</sup>. This real-time feedback mechanism saves sportsbooks millions in potential losses from line errors, software bugs, and operational issues that would otherwise go undetected until significant damage occurred.

## Legitimacy flows from winners being welcome

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The contrasting approaches to sharp bettors reveal a fundamental truth about market credibility. Pinnacle's "Winners Welcome" policy, operating on 2-3% margins, has made them the global benchmark for odds accuracy and market efficiency<sup>[77]</sup>. Their model—"high value (low margin) + low cost (no marketing/bonus) operation"—demonstrates that

embracing professional action creates sustainable competitive advantages<sup>[78]</sup>. Derek Stevens built Circa Sports entirely around this philosophy, stating "We're not trying to shy away from professional bettors... We give them fair limits, and as we get closer to kickoff, they get very large limits"<sup>[79]</sup>.

This sharp-friendly approach generates powerful marketing differentiation that attracts both professional and recreational players. Edward Golden from Right Angle Sports describes Circa as "more sharp-friendly, more fair" than competitors, noting that "accounts will be much more sustainable at Circa than anywhere else"<sup>[80]</sup>. The legitimacy that comes from welcoming winners creates a virtuous cycle where recreational bettors, motivated by the "David vs. Goliath" narrative, are drawn to books where beating the house appears genuinely possible. Survey data reveals that 76.9% of recreational bettors are motivated by competition, with the presence of successful professionals validating that skill can overcome luck<sup>[81]</sup>.

Industry executives increasingly recognize this value proposition. Joe Lupo, President of Hard Rock Atlantic City, acknowledges: "It sounds somewhat counterintuitive, but sharp customers are actually providing valuable information that feeds back into our pricing model to tighten our odds. We actually welcome the sharp bettors." Similarly, PointsBet CEO Johnny Aitken states: "We're not naive enough to think every time we put up a price it's 100 percent correct, and we very much respect the sharp bettor's information"<sup>[82]</sup>. These perspectives contrast sharply with operators who limit winners, with only 1% of Massachusetts patrons limited by BetMGM<sup>[83]</sup> despite claims that professional bettors threaten profitability.

## **Regulatory compliance requires professional participation**

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Sharp bettors serve as natural guardians of market integrity, with their sophisticated analysis and high stakes creating powerful incentives to identify and report suspicious activity<sup>[84]</sup>. The recent Jontay Porter betting scandal demonstrates this dynamic perfectly—DraftKings' systems flagged unusual betting patterns that professional observers had already identified as suspicious, leading to swift regulatory action<sup>[85]</sup>. Similarly, in the UFC's Minner vs. Nuerdanbieke bout, professional betting patterns exposed potential match-fixing that triggered official investigations<sup>[86]</sup>. These cases illustrate how sharp money acts as an early warning system for integrity breaches that might otherwise escape detection.

The American Gaming Association emphasizes that "legal sportsbook operators partner with sports leagues and independent game integrity monitors to identify suspicious betting behavior," using sophisticated systems that monitor "billions of data points and millions of betting transactions worldwide"<sup>[87]</sup>. Professional bettors, with their deep market knowledge and pattern recognition capabilities, enhance these automated systems by providing human intelligence that algorithms might miss. Their presence creates a self-policing ecosystem where manipulation attempts are quickly identified and corrected through market forces before regulatory intervention becomes necessary.

Massachusetts Gaming Commission's ongoing investigation into limiting practices reflects growing regulatory recognition that professional bettors serve essential compliance functions. The commission expressed "specific concern that recreational bettors were being caught up in the sportsbooks' approach on limiting," suggesting that restricting sharp action may actually harm market integrity and consumer protection<sup>[88]</sup>. The Sports Betting Regulatory Association, representing 35+ regulatory agencies across North America, emphasizes that proper integrity safeguards require monitoring all betting patterns, including professional action, to maintain transparent and fair markets<sup>[89]</sup>. This regulatory perspective aligns with international best practices where professional participation is viewed as enhancing rather than threatening market integrity.

## Quantified Industry Impact Analysis

### Migration Scenario Framework

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The extreme concentration of sports betting handle creates a mathematical framework for projecting industry impact from customer migration. With 10% of bettors generating 80% of handle, relatively small percentage migrations of high-value customers translate to massive industry-wide disruptions<sup>[90]</sup>.

Three scenarios capture the range of potential outcomes:

- **Conservative Scenario (15% migration):** Early professional exodus with limited recreational impact
- 15% of whales × 80% handle share = **12% total industry handle loss**
- \$150B × 12% = \$18B annual handle reduction
- **Moderate Scenario (25% migration):** Network effects drive broader adoption as alternative platforms scale

- 25% of whales × 80% handle share = **20% total industry handle loss**
- \$150B × 20% = \$30B annual handle reduction
- **Severe Scenario (40% migration):** Widespread migration as alternatives achieve product parity
- 40% of whales × 80% handle share = **32% total industry handle loss**
- \$150B × 32% = \$48B annual handle reduction

## Revenue Impact Calculations

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Using an average industry hold rate of 8.5%, these handle losses translate to substantial gross gaming revenue declines<sup>[91]</sup>:

- **Conservative:** \$18B × 8.5% = \$1.5B GGR loss
- **Moderate:** \$30B × 8.5% = \$2.6B GGR loss
- **Severe:** \$48B × 8.5% = \$4.1B GGR loss

Current total industry GGR of approximately \$12.8 billion means even the conservative scenario represents a 12% industry-wide revenue decline. The severe scenario would eliminate 32% of total industry revenue<sup>[92]</sup>.

## Timeline Projections

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The migration would likely occur in phases over 12-24 months<sup>[93]</sup>:

- **Phase 1 (Q1 2026):** OBBB implementation triggers immediate professional exodus
- 5-10% of high-value customers cease regulated betting
- \$6B handle loss, \$510M GGR impact
- **Phase 2 (April 2026):** Tax season reveals phantom income reality
- 15-25% total migration as impacts become apparent
- \$18-30B handle loss, \$1.5-2.6B GGR impact
- **Phase 3 (Q2-Q3 2026):** Network effects and word-of-mouth acceleration
- Platform scaling, media coverage drives mainstream awareness
- 20-30% migration range
- **Phase 4 (Q4 2026-2027):** Market maturity and new equilibrium
- Product parity achieved, retail integration complete
- 25-40% mature migration levels

## Sensitivity Analysis

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The projections depend on several key assumptions that could vary<sup>[94]</sup>:

- **Concentration Ratio:** The 10% → 80% baseline could range from 5% → 80% to 20% → 95%, affecting impact estimates by ±30%
- **Migration Rates:** Professional adoption could be faster (60%+) while recreational adoption slower (10%), changing the timeline but not ultimate impact.
- **Hold Rate Variations:** High-value customers may generate different hold rates than average, though the direction of this bias remains unclear.
- **Platform Capacity:** Current alternative platforms may face technological or regulatory constraints limiting their ability to absorb massive volume increases.

## State Revenue Implications

### Top 5 States Face Maximum Impact

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The states with the largest sports betting markets and highest tax rates face disproportionate revenue losses from customer migration. Analysis of the top 5 states by tax revenue demonstrates the fiscal implications:

#### New York: \$129-345 Million Annual Loss

New York's position as the largest U.S. sports betting market, combined with its nation-leading 51% tax rate, creates maximum vulnerability. The state's \$22.5 billion in 2024 handle generated over \$1 billion in tax revenue<sup>[95]</sup>.

#### Impact Projections:

- **Conservative:**  $\$22.5\text{B} \times 12\% \times 9.4\% \text{ hold} \times 51\% = \$129\text{M tax loss}$
- **Severe:**  $\$22.5\text{B} \times 32\% \times 9.4\% \text{ hold} \times 51\% = \$345\text{M tax loss}$

This represents 13-34% of New York's current sports betting tax revenue, potentially forcing significant budget adjustments in programs funded by gaming revenue<sup>[96]</sup>.

## Illinois: \$41-109 Million Annual Loss

Illinois implemented a progressive tax structure in July 2024, with rates ranging from 20% to 40% based on revenue tiers<sup>[97]</sup>. The state's \$14.0 billion handle generates approximately \$278 million in annual tax revenue.

### Impact Projections:

- **Conservative:**  $\$14.0\text{B} \times 12\% \times 8.7\% \text{ hold} \times 28\% = \$41\text{M tax loss}$
- **Severe:**  $\$14.0\text{B} \times 32\% \times 8.7\% \text{ hold} \times 28\% = \$109\text{M tax loss}$

## Pennsylvania: \$22-59 Million Annual Loss

Pennsylvania's 36% tax rate on gross gaming revenue, split between state (34%) and local (2%) jurisdictions, generated \$184 million from \$8.4 billion in 2024 handle<sup>[98]</sup>.

### Impact Projections:

- **Conservative:**  $\$8.4\text{B} \times 12\% \times 6.1\% \text{ hold} \times 36\% = \$22\text{M tax loss}$
- **Severe:**  $\$8.4\text{B} \times 32\% \times 6.1\% \text{ hold} \times 36\% = \$59\text{M tax loss}$

## New Jersey and Ohio: Combined \$36-95 Million Loss

New Jersey's mature market (\$12.8B handle, 13% effective tax rate) and Ohio's growing market (\$7.9B handle, 20% tax rate) face combined losses of \$36-95 million across scenarios<sup>[99]</sup>.

## Total Top 10 States Impact

Across the top 10 states by sports betting revenue, projected annual tax losses range from \$267 million (conservative) to \$716 million (severe)<sup>[100]</sup>. This represents 10-27% of current tax revenue from these jurisdictions.

## Budget Allocation Disruptions

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Sports betting tax revenue funds critical state programs that would face budget shortfalls:

- **Education Funding:** New York, Ohio, and Pennsylvania direct gaming revenue to education, potentially affecting school funding formulas<sup>[101]</sup>.

- **Infrastructure Projects:** Colorado allocates sports betting taxes to water projects, while other states fund general infrastructure through gaming revenue<sup>[102]</sup>.
- **Problem Gambling Programs:** All states allocate 2-5% of gaming revenue to problem gambling treatment and prevention, which would face proportional reductions<sup>[103]</sup>.
- **General Fund Shortfalls:** States relying on gaming revenue for general operations would need to identify alternative revenue sources or reduce expenditures.

## Operator Vulnerability Assessment

### Market Leaders Face Disproportionate Impact

The extreme concentration of the U.S. sports betting market between FanDuel and DraftKings amplifies their vulnerability to high-value customer migration. Combined, these two operators control approximately 75% of national market share, making them the primary targets for customer defection<sup>[104]</sup>.

#### FanDuel: \$7.2-19.2 Billion Handle at Risk

Flutter Entertainment's FanDuel, with 40% market share, faces the largest absolute impact from customer migration<sup>[105]</sup>. The company's \$16.379 billion in Q4 2024 handle and focus on VIP customers wagering "six to seven figures annually" creates maximum exposure<sup>[106]</sup>.

#### Handle Impact Projections:

- **Conservative:**  $\$60B \times 15\% \times 80\% = \$7.2B$  annual handle loss
- **Severe:**  $\$60B \times 40\% \times 80\% = \$19.2B$  annual handle loss

**Financial Impact:** Using FanDuel's Q2 2025 margins of 22.3%, the conservative scenario would reduce EBITDA by approximately \$240 million annually<sup>[107]</sup>. The severe scenario could eliminate over half of the company's sports betting profitability.

FanDuel's VIP program structure makes it particularly vulnerable. The company maintains 91% retention rates among top quintile customers while these players generate 5x greater player value than single-product users<sup>[108]</sup>. Losing even 15% of this segment would disproportionately impact financial performance.



## DraftKings: \$6.3-16.8 Billion Handle at Risk

DraftKings' 35% market share and focus on customer acquisition through promotional spending creates different but substantial vulnerability<sup>[109]</sup>. The company's Q2 2024 revenue of \$1.51 billion demonstrates strong operational performance that could be severely disrupted by customer migration<sup>[110]</sup>.

### Handle Impact Projections:

- **Conservative:**  $\$52.5\text{B} \times 15\% \times 80\% = \$6.3\text{B}$  annual handle loss
- **Severe:**  $\$52.5\text{B} \times 40\% \times 80\% = \$16.8\text{B}$  annual handle loss

**Investment Community Recognition:** Steven Fiorillo's comprehensive analysis for Seeking Alpha resulted in a rating downgrade from bullish to neutral specifically due to OBBB concerns, demonstrating that financial markets understand the threat<sup>[111]</sup>.

Despite strong fundamentals including projected 388% EPS growth over two years, the legislative risk was deemed significant enough to override compelling financial metrics<sup>[112]</sup>.

## BetMGM: Critical Third-Place Vulnerability

BetMGM's 8% market share and recent path to EBITDA profitability makes it particularly vulnerable to customer losses<sup>[113]</sup>. The company achieved its first quarterly positive EBITDA in Q3 2024 and projects sustained profitability in 2025<sup>[114]</sup>.

### Handle Impact Projections:

- **Conservative:**  $\$12\text{B} \times 15\% \times 80\% = \$1.4\text{B}$  annual handle loss
- **Severe:**  $\$12\text{B} \times 40\% \times 80\% = \$3.8\text{B}$  annual handle loss

BetMGM's aggressive approach to limiting winning players---documented cases of successful bettors seeing limits cut to \$10 maximum bets---creates additional migration pressure<sup>[115]</sup>. The company depends heavily on VIP customers while simultaneously restricting sharp bettors, making it vulnerable to platforms that welcome professional action.

## Smaller Operators Face Existential Threats

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### Penn Entertainment's ESPN Bet: Subscription to Crisis

Penn Entertainment's ESPN Bet operates with 2.35% market share and \$499.5 million in annual losses, making any significant customer defection potentially fatal<sup>[116]</sup>. The platform's dependence on a concentrated customer base---where an estimated 5% of users generate 80% of handle---creates extreme vulnerability<sup>[117]</sup>.

The \$2.1 billion ESPN partnership includes Disney termination rights if minimum market share thresholds aren't achieved by end-2026<sup>[118]</sup>. Customer migration due to OBBB taxation could accelerate ESPN Bet's decline below these thresholds, triggering partnership termination and likely ending Penn's sports betting operations.

### Caesars Entertainment: VIP Dependency Risk

Caesars Entertainment's 6-7% market share and focus on high-value customers through its Caesars Rewards database creates significant concentration risk<sup>[119]</sup>. The company's Seven Stars tier requires 150,000+ Tier Credits annually---equivalent to approximately \$1.5 million in sports wagering<sup>[120]</sup>.

#### Handle Impact Projections:

- **Conservative:**  $\$10.5\text{B} \times 15\% \times 80\% = \$1.3\text{B}$  annual handle loss
- **Severe:**  $\$10.5\text{B} \times 40\% \times 80\% = \$3.4\text{B}$  annual handle loss

## Operating Leverage Amplifies Financial Impact

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All major operators exhibit high operating leverage, with approximately 70% of costs fixed regardless of volume<sup>[121]</sup>. This means handle reductions translate to disproportionate EBITDA declines<sup>[122]</sup>:

- **Conservative Scenario Impact:**
- 12% handle loss typically creates 18-20% EBITDA decline
- **FanDuel:** \$1.2B EBITDA → \$240M reduction
- **DraftKings:** \$850M EBITDA → \$170M reduction
- **Severe Scenario Impact:**

- 32% handle loss could eliminate 40-50% of operator EBITDA
- Multiple operators would return to negative EBITDA
- Industry consolidation pressure would intensify

## Timeline and Legislative Remedy

### The 109-Day Window

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As of September 11, 2025, the regulated sports betting industry has 109 days until the OBBB's 90% gambling loss limitation takes effect on January 1, 2026<sup>[123]</sup>. This narrow window creates urgent pressure for legislative action while also limiting the industry's ability to develop defensive strategies.

The compressed timeline means that any legislative remedy must move through Congress during the fall 2025 session, competing with budget negotiations, appropriations bills, and other legislative priorities. The practical deadline for action is likely mid-December 2025, allowing time for implementation before the January 1 effective date.

### FAIR Bet Act: The Legislative Remedy

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Representative Dina Titus (D-NV) filed the FAIR Bet Act on July 7, 2025, specifically to address the OBBB's gambling loss limitation<sup>[124]</sup>. The bill would restore 100% deductibility of gambling losses against winnings, returning to the pre-OBBB framework that existed for over 70 years.

#### **Bipartisan Support:**

The legislation has attracted bipartisan co-sponsors including Representatives Troy Nehls (R-TX) and Jeff Van Drew (R-NJ), demonstrating that the OBBB's impact crosses party lines<sup>[125]</sup>. Gaming industry states recognize the threat to their tax revenue and employment base.

#### **Legislative Pathway Challenges:**

- **House Ways and Means Committee:** The FAIR Bet Act requires review by the tax-writing committee, where Chairman Jason Smith has promised consideration but not guaranteed passage<sup>[126]</sup>.

- **Revenue Offset Requirements:** The \$1.1 billion revenue projection for the OBBB provision means any repeal requires offsetting cuts or tax increases elsewhere, complicating the legislative process<sup>[127]</sup>.
- **Senate Dynamics:** With narrow Republican majorities in both chambers, the bill needs broad coalition support to overcome potential procedural obstacles<sup>[128]</sup>.

## Failed Legislative Attempts

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The industry's first attempt at relief failed on September 9, 2025, when an amendment to the National Defense Authorization Act was blocked<sup>[129]</sup>. This failure demonstrates the difficulty of attaching gambling-related provisions to unrelated legislation and suggests that standalone bills may be necessary.

The American Gaming Association's initial support for OBBB passage, followed by belated backing of repeal efforts, suggests industry disorganization that reduces the likelihood of successful lobbying<sup>[130]</sup>. The mixed messaging has complicated Congressional perceptions of industry unity on the issue.

## Industry Response and Coalition Building

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### Professional Gambler Advocacy:

High-profile professional gamblers have publicly warned that the OBBB "would end professional gambling in the US"<sup>[131]</sup>. This grassroots pressure from affected individuals provides compelling testimony for legislative hearings.

### State Revenue Concerns:

States facing significant tax revenue losses are beginning to pressure their Congressional delegations for action. Nevada Representative Titus explicitly acknowledged that the provision "pushes them towards offshore outlets and the predictions market"<sup>[132]</sup>.

### Operator Lobbying:

Major operators including DraftKings, FanDuel, and BetMGM are coordinating lobbying efforts through the American Gaming Association, though their late recognition of the threat has limited preparation time<sup>[133]</sup>.

## Alternative Scenarios

- **Partial Relief:** Congress might consider compromise approaches such as raising the limitation from 90% to 95%, though this would still create phantom income problems for high-volume bettors.
- **Implementation Delay:** A temporary postponement of the effective date could provide additional time for comprehensive reform, though this faces the same revenue offset challenges as full repeal.
- **Regulatory Guidance:** The Treasury Department could issue guidance clarifying the provision's application, though regulatory interpretation cannot override statutory language requiring the 90% limitation.

## Consequences of Legislative Failure

If Congress fails to act before January 1, 2026, the industry faces immediate implementation of phantom income taxation with several cascading effects:

- **Q1 2026 Professional Exodus:** 5-10% of high-value customers likely cease regulated betting immediately, creating \$6 billion in handle loss<sup>[134]</sup>.
- **April 2026 Tax Season Crisis:** When bettors file 2026 returns revealing phantom income impacts, migration accelerates to 15-25% of high-value customers<sup>[135]</sup>.
- **Operator Financial Distress:** Smaller operators like ESPN Bet and potentially BetMGM face existential threats from customer losses combined with fixed cost structures<sup>[136]</sup>.
- **State Budget Shortfalls:** Gaming-dependent states confront hundreds of millions in lost tax revenue, forcing budget cuts or alternative revenue measures<sup>[137]</sup>.
- **Market Consolidation:** Weaker operators exit the market, reducing competition and potentially increasing costs for remaining customers<sup>[138]</sup>.

## Conclusion

The One Big Beautiful Bill Act's 90% gambling loss limitation represents the most significant threat to regulated sports betting since the federal prohibition itself. By creating phantom income taxation that can result in effective tax rates exceeding 264%, the provision fundamentally breaks the economics for the 10% of customers who generate 80% of industry handle.

The convergence of customer concentration, alternative platform availability, and phantom income taxation creates a perfect storm that could devastate an industry supporting over 150,000 direct jobs and generating billions in state tax revenue across 38+ jurisdictions<sup>[139]</sup>. The financial projections are stark: conservative scenarios project \$18 billion in annual handle loss, while severe scenarios exceed \$48 billion---representing up to one-third of the entire regulated market<sup>[140]</sup>.

#### The evidence demonstrates:

- **Extreme Vulnerability:** Academic research confirms that 10% of bettors generate 80% of handle, creating unprecedented concentration risk when these customers face punitive taxation.
- **Viable Customer Alternatives:** Prediction markets operating under CFTC jurisdiction and offshore sportsbooks with \$163 billion in annual handle offer superior tax treatment and don't limit winning players, providing immediate escape routes for professional and sophisticated recreational bettors.
- **Quantified Impact:** Migration scenarios based on documented customer concentration patterns project \$267-716 million in annual state tax revenue losses across the top 10 markets alone.
- **Operator Distress:** Companies like ESPN Bet face existential threats, while even market leaders FanDuel and DraftKings could see EBITDA reductions of \$170-240 million annually under conservative projections.
- **Timeline Pressure:** With 109 days until implementation, the industry's narrow window for legislative relief is rapidly closing.

The regulated sports betting industry built its business model on the assumption that it could retain the small cohort of customers who drive the vast majority of revenue. The OBBB shatters this assumption by making regulated betting economically irrational for exactly these customers, while simultaneously providing them with attractive alternatives that welcome their action.

#### The path forward requires immediate action:

- **Legislative Priority:** The FAIR Bet Act represents the clearest remedy, restoring the 70-year precedent of 100% gambling loss deductibility that enabled the industry's growth.
- **State Coalition Building:** Gaming-dependent states must pressure their Congressional delegations to understand the fiscal implications for their budgets and constituencies.

- **Industry Unity:** Operators, professional bettors, and state regulators must present a unified message about the economic devastation that phantom income taxation will create.
- **Timeline Urgency:** Every day of delay reduces the likelihood of legislative relief before the January 1, 2026 effective date.

The American sports betting industry stands at a crossroads. Congress can preserve a thriving, regulated market that generates billions in tax revenue and supports thousands of jobs, or it can inadvertently trigger an exodus to emerging, federally-regulated alternatives and offshore platforms that provide clear and compelling advantages to the large-volume sports bettor. With 109 days remaining, the choice is clear, urgent, and perhaps final.

The question is not whether the OBBB's phantom income provision threatens regulated sports betting---the evidence overwhelmingly confirms that it does. The question is whether American policymakers will act in time to prevent an entirely avoidable industry crisis.

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*Research methodology included manual internet searches, expert interviews, and AI-assisted research using ChatGPT 5.0 Research Mode and Claude Sonnet 4 Research Mode for information gathering, source identification, and preliminary analysis. All AI-generated research content was independently verified through cited sources and expert consultation.*